

November 5, 2010

Ms. Elizabeth Murphy
Secretary, Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File No. S7-15-10 Mutual Fund Distribution Fees; Confirmations

Dear Ms. Murphy:

The SEC has proposed changes to the rules governing mutual fund distribution. One of the SEC's goals is to protect fund investors from paying "disproportionate" marketing-related fees. The assumption is that, as investors become more informed about product choices and related fees, they will make better investment decisions. All else equal, their account values should be higher as a result.

Using proper mathematical methods, we evaluate the veracity of key assumptions that underlie the proposal. Then we discuss implications of enacting it. We focus on two areas: a) the relation between cost and account value; and b) the relation between disclosure and conflicts of interest.

We are well suited to the task. Our analytics power the world's most popular mutual fund "calculator": the [FINRA Fund Analyzer](#). In fact, the [SEC website](#) links to it, and to several other investment tools where we supply the underlying math. They cover retirement planning, college funding, and debt management.

BACKGROUND ON SEC PROPOSAL S7-15-10

The proposal reflects a laudable effort to help mutual fund investors. Changes are suggested to fund pricing profiles and to disclosures in trade confirms and prospectuses. Clearly, the focus is on cost cutting:

The proposed...amendments are designed to protect individual investors from paying disproportionate amounts of sales charges in certain share classes. [W]e are proposing a new approach to asset-based distribution fees (i.e., 12b-1 fees) that is designed to benefit fund shareholders while minimizing disruption of current arrangements.(Release, pages 2 and 37.)

For load mutual funds, low cost does not necessarily imply high account value. Belief in this "conventional wisdom" is at the core of the SEC's effort. Cost is not the problem. Poor investor choice is the problem. And poor choice often stems from the application of the conventional wisdom and existence of undisclosed conflicts of interest. Both problems are easy, and inexpensive, to fix.

Pricing-oriented changes: These changes concern the pricing profiles and mechanics of shares. Shares with 12b-1s above 0.25% later must convert (or "flip") to a lower-cost share, as B-shares do. Affected most directly will be C-shares. By how much, and the implications for other share classes and account-types, depends on the fund and mechanics of the conversion.

The SEC proposed a formulaic approach that is based on a "reference load." (Release, page 53.) That is the highest load for any share of the fund. The reference load, divided by the excess 12b-1 fee (i.e., amount above 0.25%), equals the conversion period. Hence, 5.75%/0.75% implies a 7.7 year period.

Despite apparent flexibility, the approach is restrictive. Firms with different pricing profiles will be treated similarly but affected differently. Firms with relatively low loads, like AllianceBernstein (4.25%), will be penalized more than firms with higher loads, like Dreyfus (5.75%). The conversion period for AllianceBernstein would be shorter than for Dreyfus: 5.7 vs. 7.7 years.

A very short conversion period may lead to more churning and lower revenue. Most C-shares pay out 12b-1s as a 1% trail commission. Investor costs would fall modestly upon conversion, but financial advisor

trails would plummet 75%, to 0.25%. To maintain a 1% trail, some advisors will swap clients into C-shares of a new fund firm. Management fee revenue falls prematurely for the firm managing the sold fund.

C-shares *should* convert. Consider American Funds, one of very few firms that already convert C-shares. Their ten-year conversion period seems reasonable, especially since they clearly warn against using C-share for the long-term. Still, the method used must be financially prudent for the firm. Intense analytics (which are available) are needed to determine the optimal method, which varies by fund and firm.

The SEC would allow firms to employ a different method if the resultant conversion period is no longer than the one based on the reference load. We identify three other ways to do the conversion. They are all superior to the SEC's suggested method since conversion periods often will be shorter. For example, assume it is based on the dollar volume of incurred 12b-1s. For a return of 5%/yr, shares with a 7.7 year conversion term (typical, given a 5.75% reference load) would convert after 5 to 6 years. This approach would markedly reduce investor costs. Unless churning increased, fund firms would see little impact on revenue since, with C-shares, they keep the management fees, not the 12b-1 fees.

Industry officials may not care much about this issue since C-share sales are 10 to 15% of load sales. That view would be short sighted. Consequences apply well beyond C-shares, for fund firms and B/Ds.

Consider Alliance and Dreyfus. The impact on these firms is very different. For any trade below \$100,000, whether C-shares flip or not, the relative merit of Dreyfus stock fund shares is constant. In terms of highest account value for seven-plus years, B-shares are best for investors. (We know new B-share sales were stopped.) A-shares are second best. C-shares always are the worst long-term option. (Figure 1.)

The opposite is true for Alliance. Now, A-shares are best for long-term investors; C-shares are worst. If C's convert as proposed, they become an investor's best choice for any horizon and any return. Account values always are higher for C's than A's or B's. (Figure 2.) It is ironic that firms with a low top load, which is beneficial to investors (e.g., Alliance, 4.25%), are affected most heavily by the proposal.

The consequences go farther. The conversion of C-shares may have a negative impact on financial advisors and RIAs who use wrap programs. That result would not be good for B/D revenue.

Advisors can swap clients into other C-shares, as we noted. Others will switch clients to wrap programs. But a wrap sale will be harder to justify. For example, if C's flip after seven years, wrap becomes relatively more expensive, though return, liquidity, and client service largely are equal. Post-flip, clients could pay up to 150% more for wrap than staying in C-shares! ¹

Disclosure-oriented changes: On trade confirms – for that share class – deferred charges, breakpoints, service fee term, and other data would be more fully detailed. Similar changes apply to prospectuses. Investor understanding of fees will improve. But investor education is not the only goal. The more fundamental goal is better investor results. The operative belief is that, by enhancing disclosure of commission payments and operating fees, fund costs will be driven down. Further, investors will detect conflicts of interest more easily and determine whether they influence trade decisions.

While helpful, the proposed changes will have little impact. They will not drive down costs nor help investors detect, and evaluate, conflicts of interest. The disclosure is non-comparative and, as the SEC recognizes, conveyed post-trade. By itself, more exactitude about fees will not affect a decision.

To effect change, investors need information that is complete, comparative, and available pre-trade. The prospectus, not the confirm, is the proper place for it. In our opinion, however, prospectus disclosure

¹ Consider a \$100,00 account with a 1.5% wrap fee using 1% load-waived A's. Cost is 2.5%/yr. A non-flipping C-share costs 1.75%/yr. Investors now pay 43% more for wrap ($2.5/1.75 - 1$). Post flip, they pay 150% more ($2.5/1 - 1$).

currently is inadequate because it is mainly textual in nature. The economics of advisor pay vary greatly for the main shares (A-, B-, and C-shares). Therefore, it must be tabular in nature.

If the share that pays most to an advisor is best for an investor, there may be a conflict, but there is no problem. If it encourages an unsuitable trade, there is a serious problem. To determine if a conflict exists, information must be comparative across shares and complete in terms of cumulative pay. To decide if it is meaningful, associated account values are required. Otherwise, there is no way to know if an advisor has incentive to sell one share over another.

This very problem is rampant, and the SEC proposal does not address it. For example, in year one, on a typical trade below \$50,000, advisors earn 25 to 30% more by selling A's than B's (5% or 5.25% vs. 4%). The A- to C-share disparity is wider. Given SEC estimates of holding period and account balances, B- and C-shares should comprise the bulk of such trades. A-shares attract most dollars, however.

OUR PERSPECTIVE ON THE SEC PROPOSAL

We do not believe that the proposed changes will make more than a modest difference to investors. The impact on the industry, however, could be unnecessarily adverse.

By requiring the conversion of C-shares, per the illustrated method, most would do after six to eight years. Only at that point would shareholders benefit. But that period is much longer than investors normally hold shares. Our skepticism is supported by the SEC's own estimate of holding period:

"...[T]he typical fund shareholder only holds fund shares for approximately 3-4 years. (Release, page 201.) Based on average holding periods for funds generally, we expect that only a limited portion of outstanding class C shares would be held long enough for any asset-based distribution fees on class C shares to exceed the proposed ongoing sales charge limit." (Release, page 225.)

Instead of focusing on 12b-1 fees, the SEC should focus on costs that are more substantial. They include wrap fees, sales charges, CDSCs, fund-level trading costs, and investor-level taxes on income, redemptions, and gains. These costs often have a much greater impact on account value.

Consider A-shares from American Funds. Its top sales load (5.75%) is far more consequential than a 12b-1 fee for a "typical fund shareholder." Assume a "typical" four-year horizon and 5%/yr return. Investors in the Growth Fund of America pay 0.77% more in annual fees for B- and C-shares than for A's. (A-, B-, and C-share 12b-1s: 0.23%, 1%, & 1%.) For a \$10,000 trade, they pay a \$575 A-share load, up front, vs. \$335 in extra C-share 12b-1s, over time. Since C-share account values are higher (\$11,461 vs. \$11,141), why is the SEC fixated on 12b-1s? (Figure 3.)

To cut costs, the SEC could simply mandate a reduction in the maximum A-share load. FINRA and the SEC did just that in 1975. Moreover, why not cap CDSCs, which often top out at 5%? Either option is easier and less costly to implement, and would benefit more investors. For perspective, the estimated cost to comply with all aspects of the proposal is \$2+ billion for the first five years after enactment. (Release, page 225.) That is a huge amount given that the SEC expects so few shares to be affected.

OUR SUGGESTIONS ARE CONSISTENT WITH THE SEC'S GOALS

Of the SEC's many proposed changes to Rule 12b-1, we focus on two. First, higher cost shares, like C-shares, must later convert to a lower-cost share. Second, funds and B/Ds must disclose more information about point-of-sale commissions and fund fees. Without changing the broad intent of the SEC, we suggest that the SEC, instead, be concerned with how:

- a) Overall cost affects account value; and
- b) Advisor-level commissions, ***paid over time***, affect investment recommendations.

Focus on overall cost: Investors commit money to the market to earn a return, not to reduce fees. An investor says: "I invest \$100 to earn a return so I can send my son to college." She doesn't say: "I invest

\$100 so I can keep my mutual fund fees low.” Paying for college is achieved by maximizing account value, not by minimizing investment cost. If you focus on the former, the latter takes care of itself.

Cost is no proxy for account value unless all else is equal. For no-loads, all else *is* equal, except for expense ratios. So, lower cost does equate to higher value. This “wisdom” is false for most load funds, since all else is not equal. A-shares have a front-end load, not B’s and C’s. B-shares convert, not A’s and C’s (yet). Only B’s have a CDSC schedule. Odd as it seems, a high cost share can outperform a low cost share.

Consider a \$49,000 trade in the Affiliated Fund, from Lord Abbett, a fine firm. Figure 4 displays account values through year ten for a 5%/yr return. B-shares are best in terms of long-term account value, which surprises many people.

The solution to the problem of poor choice is to focus investors on account value in addition to cost. This is easy. Simply include an account values chart in the prospectus. Then the problem of equating low cost with higher account value is eliminated. There is no cost except for the ink.

And there is precedent. Consider an Invesco Funds prospectus. Near the front, a table lists projected account values and associated costs. (Figure 5.) The table is simply a more complete form of a Fee and Expense Example, which the SEC already requires (and Invesco supplies earlier). For any holding period, investors can tell which share class creates the highest account value. They see clearly that, in the long term (after nine years), C-shares make little sense; A- and B-share account values always are higher.

We suggest a chart that differs slightly from Invesco’s. It would look similar to Figure 4. So that share class comparisons are easy to make, we show cumulative costs, not annual. Also, though disclosed, Invesco does not reflect CDSCs. To create a complete picture, CDSCs should be reflected, which we do.

Websites can easily host an interactive version of this table. An investor’s specific trade can be modeled. A prospectus-based table only models a single trade, of \$10,000, with a 5% return, for 1-, 3-, 5-, and 10-year horizons. The analytics are readily available so that any trade scenario can be evaluated. Importantly, the results would agree completely with those found on the FINRA and SEC websites.

Finally, if investors focus on account value, ***costs will fall***. Investors will favor higher performing funds. Other funds will need to make their shares more competitive. The only way is by cutting fees. They may cut sales loads, management fees, transfer agent costs, or 12b-1 fees. But cut they must. No need for the SEC to mandate a one-size-fits all policy of flipping C’s.

Enhance prospectus disclosure of advisor pay. Investors can be guided to make the best choice for them and be more aware of how much they pay an advisor. The SEC’s proposed changes, regarding disclosure, mainly concern textual additions to confirms and prospectuses. But confirms are delivered post-trade and, as discussed, the new prospectus mandates would not be complete or comparative. So, in our view, the changes will not affect an investor’s ability to identify conflicts nor will costs be driven down.

Our suggestions dovetail nicely with the SEC’s desire to improve overall disclosure of advisor pay. As written, the SEC’s proposed changes would improve investor awareness of advisor pay. Our suggestions go a step further. They would improve and investor’s ability to choose the best share class.

The solution again is easy and no cost, except for ink. There is no need to force B/Ds to reconfigure a trade confirm. Simply add a chart to the Compensation section of a prospectus. Figure 6 displays our proposed chart for Dreyfus Core Value, a fine find from a fine firm. (We show figures, not required text.)

Consider a \$40,000 trade. A-shares pay 5% plus a 0.25% trail. B’s pay 4% with a 0.25% trail starting in year two. C’s pay 1% and 1%/yr. In year one, below \$50,000, advisors are paid 31% more to sell A’s than B’s (5.25/4). Year one pay is \$2,096 for A’s yet \$1,600 for B’s. A \$496 differential is significant enough for some advisors to promote A’s over B’s and C’s. Importantly, A’s never are best for investors.



First, note that all shares are treated similarly from a pay disclosure perspective. Year one payments for all shares are disclosed in one area. Investors clearly see that, through end-of-year one, A-shares pay \$2,096 while B-shares pay \$1,600, and C-shares pay \$400. If a conflict exists, investors know.

Second, cumulative pay is shown, making it complete. C-shares, for example, often pay 1% up front and 1%/yr in perpetuity. C-share pay can be extremely high for top-performing funds in the long-term.

Third, for information to be comparative, pay for all shares is disclosed alongside account value. Pay for one share does not allow investors to discern whether a conflict exists and is meaningful.

By including this information in a prospectus, the post-trade problem of conveying pay data on confirms is addressed. Prospectuses are available in print and on websites prior to a trade. While IPO rules allow for the delivery of a prospectus post-trade, the prospectus is available to anyone pre-trade.

Effecting these changes will make it very easy for investors to determine whether a conflict exists and is meaningful. If so, they may change their mind about a purchase and, presumably, make a better one. Such an outcome is exactly what the SEC hopes would happen.

CONCLUSION

If the SEC's changes are adopted as proposed, investors, as a whole, would benefit modestly. The changes also would impose a significant cost on the industry. The costs may end up being passed on to investors.

Easier, low-cost solutions exist. By focusing on account value, not cost, investors will make better decisions. Costs will fall. If prospectuses display complete and comparative pay figures for all shares, meaningful conflicts of interest will be easier to identify and assess.

In the end, investors will gravitate towards higher performing funds, which will force other funds to lower their costs. The SEC's aim will be achieved: investors have higher account values.

Respectfully,

Douglas J. Weber
Director of Research and Client Service
Broker Village

Stuart J. Speckman, CFA, CFP
Chairman
Broker Village

Figure 1: SEC 12b-1 proposal affects fund firms differently. The impact of a converting C-share is specific to the fund firm and, at times, the fund itself. Here \$99,000 is invested in Dreyfus Core Value at 5%/yr. **At top, after ten years, B-shares are the best in terms of account value by \$4,140. C-shares are worst (\$137,363 vs. \$133,224). C's did not convert. At bottom, if C-shares convert per the SEC formula, the relative merits are unchanged. B's still are best and C's still are worst, but the differential is much smaller: \$1,790 (\$137,363 vs. \$135,574).** Note the violation of conventional wisdom. Even to \$99,000, for this fund, the best long-term share is B-shares. This is true for any long horizon and any return.

Year -->	1	2	3	4	5	6	7	8	9	10
Class Rank by Highest Account Value										
Best	C	C	C	C	C	C	B	B	B	B
2nd Best	A	A	A	A	A	A	A	A	A	A
Worst	B	B	B	B	B	B	C	C	C	C

Class Rank by Lowest Expense										
Lowest	C	C	C	C	C	A	A	A	A	A
2nd Best	A	A	A	A	A	C	B	B	B	B
Highest	B	B	B	B	B	B	C	C	C	C

Account Values, Maximum CDSCs Applied										
A-Shares	\$98,127	\$101,846	\$105,705	\$109,710	\$113,867	\$118,181	\$122,659	\$127,307	\$132,131	\$137,137
B-Shares	\$98,034	\$101,118	\$105,285	\$108,559	\$112,921	\$117,386	\$122,861	\$127,517	\$132,348	\$137,363
C-Shares	\$100,993	\$105,057	\$108,223	\$111,484	\$114,844	\$118,305	\$121,870	\$125,543	\$129,326	\$133,224
Differential	\$2,960	\$3,939	\$2,938	\$2,925	\$1,923	\$919	\$991	\$1,974	\$3,022	\$4,140

Year -->	1	2	3	4	5	6	7	8	9	10
Class Rank by Highest Account Value										
Best	C	C	C	C	C	C	B	B	B	B
2nd Best	A	A	A	A	A	A	A	A	A	A
Worst	B	B	B	B	B	B	C	C	C	C

Class Rank by Lowest Expense										
Lowest	C	C	C	C	C	A	A	A	A	A
2nd Best	A	A	A	A	A	C	B	B	B	B
Highest	B	B	B	B	B	B	C	C	C	C

Account Values, Maximum CDSCs Applied										
A-Shares	\$98,127	\$101,846	\$105,705	\$109,710	\$113,867	\$118,181	\$122,659	\$127,307	\$132,131	\$137,137
B-Shares	\$98,034	\$101,118	\$105,285	\$108,559	\$112,921	\$117,386	\$122,861	\$127,517	\$132,348	\$137,363
C-Shares	\$100,993	\$105,057	\$108,223	\$111,484	\$114,844	\$118,305	\$121,870	\$125,855	\$130,624	\$135,574
Differential	\$2,960	\$3,939	\$2,938	\$2,925	\$1,923	\$919	\$991	\$1,661	\$1,724	\$1,790

Figure 2: SEC 12b-1 proposal affects fund firms differently. The impact of a converting C-share is specific to the fund firm and, at times, the fund itself. \$99,000 is invested in the Alliance Bernstein Growth Fund at 5%/yr. **At top, after ten years, A-shares are the best in terms of account value. C-shares are worst by \$3,973 (\$131,973 vs. \$128,000). C's did not convert. At bottom, if C-shares convert per the SEC formula, the relative merits change dramatically. C's now are best and B's now are worst by \$3,296 (\$132,169 vs. \$128,873).**

Year -->	1	2	3	4	5	6	7	8	9	10
Class Rank by Highest Account Value										
Best	C	C	C	C	C	A	A	A	A	A
2nd Best	A	A	A	B	B	C	C	C	C	B
Worst	B	B	B	A	A	B	B	B	B	C

Class Rank by Lowest Expense										
Lowest	C	C	C	C	C	A	A	A	A	A
2nd Best	A	A	A	A	A	C	C	C	B	B
Highest	B	B	B	B	B	B	B	B	C	C

Account Values, Maximum CDSCs Applied										
A-Shares	\$97,982	\$101,278	\$104,686	\$108,208	\$111,848	\$115,612	\$119,501	\$123,522	\$127,678	\$131,973
B-Shares	\$97,515	\$101,042	\$104,632	\$108,287	\$112,008	\$114,809	\$117,679	\$120,620	\$124,679	\$128,873
C-Shares	\$100,586	\$104,220	\$106,932	\$109,715	\$112,570	\$115,499	\$118,505	\$121,589	\$124,753	\$128,000
Differential	\$3,072	\$3,178	\$2,300	\$1,507	\$722	\$803	\$1,823	\$2,901	\$2,999	\$3,973

Year -->	1	2	3	4	5	6	7	8	9	10
Class Rank by Highest Account Value										
Best	C	C	C	C	C	C	C	C	C	C
2nd Best	A	A	A	B	B	A	A	A	A	A
Worst	B	B	B	A	A	B	B	B	B	B

Class Rank by Lowest Expense										
Lowest	C	C	C	C	C	A	A	A	A	A
2nd Best	A	A	A	A	A	C	C	C	C	C
Highest	B	B	B	B	B	B	B	B	B	B

Account Values, Maximum CDSCs Applied										
A-Shares	\$97,982	\$101,278	\$104,686	\$108,208	\$111,848	\$115,612	\$119,501	\$123,522	\$127,678	\$131,973
B-Shares	\$97,515	\$101,042	\$104,632	\$108,287	\$112,008	\$114,809	\$117,679	\$120,620	\$124,679	\$128,873
C-Shares	\$100,586	\$104,220	\$106,932	\$109,715	\$112,570	\$115,783	\$119,679	\$123,705	\$127,867	\$132,169
Differential	\$3,072	\$3,178	\$2,300	\$1,507	\$722	\$975	\$2,000	\$3,085	\$3,189	\$3,296

Figure 3: The SEC 12b-1 proposal will have little impact on the “typical shareholder.” \$10,000 is invested in American Funds Growth Fund of America at 5%/yr. Holding period is the SEC-defined “typical” horizon of four years. For this trade, investors pay a \$575 A-share load up front vs. \$335 in extra C-share 12b-1s (neither shown). Since C-share account values are higher (\$11,461 vs. \$11,141), why the fixation on 12b-1 fees? The \$575 sales load is a far bigger cost.

Year -->	1	2	3	4	5	6	7	8	9	10
Class Rank by Highest Account Value										
Best	C	C	C	C	C	C	B	A	A	A
2nd Best	B	B	A	B	B	B	C	B	B	B
Worst	A	A	B	A	A	A	A	C	C	C
Class Rank by Lowest Expense										
Lowest	C	C	C	C	C	C	A	A	A	A
2nd Best	A	B	A	A	A	A	B	B	B	B
Highest	B	A	B	B	B	B	C	C	C	C
Account Values, Maximum CDSCs Applied										
A-Shares	\$9,828	\$10,249	\$10,687	\$11,144	\$11,621	\$12,118	\$12,637	\$13,177	\$13,741	\$14,329
B-Shares	\$9,849	\$10,310	\$10,684	\$11,170	\$11,670	\$12,184	\$12,713	\$13,156	\$13,719	\$14,306
C-Shares	\$10,247	\$10,706	\$11,077	\$11,461	\$11,858	\$12,270	\$12,695	\$13,135	\$13,591	\$14,062
Differential	\$419	\$457	\$393	\$317	\$237	\$151	\$76	\$42	\$150	\$267

Figure 4: Cost is no proxy for account value. A higher cost share can accrete to higher account values. \$49,000 is invested in the Lord Abbett Affiliated Fund at 5%/yr. B-shares are better than A-shares in the long-term, yet cost more. After 10 years, B's cost \$237 more than A's (\$8,052 vs. \$7,814) yet create \$499 more value (\$69,389 vs. \$68,890). Conventional wisdom is violated: cost is no proxy for account value. This relation holds for any trade to \$49,999, for any long horizon, and any return.

Year -->	1	2	3	4	5	6	7	8	9	10
Class Rank by Highest Account Value										
Best	C	C	C	C	C	C	B	B	B	B
2nd Best	B	B	B	B	B	B	C	C	C	A
Worst	A	A	A	A	A	A	A	A	A	C
Class Rank by Lowest Expense										
Lowest	C	C	C	C	C	C	B	A	A	A
2nd Best	B	B	B	A	B	B	C	C	B	B
Highest	A	A	A	B	A	A	A	B	C	C
Account Values, Maximum CDSCs Applied										
A-Shares	\$48,067	\$50,028	\$52,069	\$54,194	\$56,405	\$58,706	\$61,101	\$63,594	\$66,189	\$68,890
B-Shares	\$48,219	\$50,435	\$52,709	\$54,554	\$56,952	\$59,415	\$61,946	\$64,055	\$66,669	\$69,389
C-Shares	\$50,179	\$52,395	\$54,179	\$56,024	\$57,932	\$59,905	\$61,946	\$64,055	\$66,237	\$68,493
Differential	\$2,112	\$2,367	\$2,110	\$1,831	\$1,527	\$1,199	\$844	\$461	\$480	\$896
Expenses, Maximum CDSCs Applied										
A-Shares	\$3,232	\$3,664	\$4,113	\$4,580	\$5,067	\$5,573	\$6,100	\$6,649	\$7,220	\$7,814
B-Shares	\$3,212	\$3,511	\$3,836	\$4,679	\$5,061	\$5,472	\$5,914	\$6,878	\$7,453	\$8,052
C-Shares	\$1,252	\$1,551	\$2,366	\$3,209	\$4,081	\$4,982	\$5,914	\$6,878	\$7,875	\$8,905

Figure 5: Account values table solves poor choice problem. This chart excerpt is found on page 10 of the current Invesco Basic Value Fund prospectus. (Full table shows more shares classes.) Account balances are shown above annual costs. It is easy for any investor to tell which share class is best for their anticipated holding period *without focusing on cost*. In the long-term, note that C-shares are not best.

Class A (Includes Maximum Sales Charge)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Annual Expense Ratio ¹	1.41%	1.41%	1.41%	1.41%	1.41%	1.41%	1.41%	1.41%	1.41%	1.41%
Cumulative Return Before Expenses	5.00%	10.25%	15.76%	21.55%	27.63%	34.01%	40.71%	47.75%	55.13%	62.89%
Cumulative Return After Expenses	2.11%	4.41%	6.05%	7.82%	9.73%	11.77%	13.96%	16.31%	18.81%	21.47%
End of Year Balance	\$ 9,789.26	\$10,140.69	\$10,504.74	\$10,881.86	\$11,272.52	\$11,677.20	\$12,096.41	\$12,530.68	\$12,980.53	\$13,446.53
Estimated Annual Expenses	\$ 685.64	\$ 140.51	\$ 145.55	\$ 150.78	\$ 156.19	\$ 161.80	\$ 167.60	\$ 173.62	\$ 179.85	\$ 186.31
Class B²										
Annual Expense Ratio ¹	2.16%	2.16%	2.16%	2.16%	2.16%	2.16%	2.16%	2.16%	1.41%	1.41%
Cumulative Return Before Expenses	5.00%	10.25%	15.76%	21.55%	27.63%	34.01%	40.71%	47.75%	55.13%	62.89%
Cumulative Return After Expenses	2.84%	5.76%	8.76%	11.85%	15.03%	18.30%	21.66%	25.11%	28.66%	32.26%
End of Year Balance	\$10,284.00	\$10,576.07	\$10,876.43	\$11,185.32	\$11,502.98	\$11,829.66	\$12,165.63	\$12,511.13	\$12,960.28	\$13,425.55
Estimated Annual Expenses	\$ 219.07	\$ 225.29	\$ 231.69	\$ 238.27	\$ 245.03	\$ 251.99	\$ 259.15	\$ 266.51	\$ 179.57	\$ 186.02
Class C²										
Annual Expense Ratio ¹	2.16%	2.16%	2.16%	2.16%	2.16%	2.16%	2.16%	2.16%	2.16%	2.16%
Cumulative Return Before Expenses	5.00%	10.25%	15.76%	21.55%	27.63%	34.01%	40.71%	47.75%	55.13%	62.89%
Cumulative Return After Expenses	2.84%	5.76%	8.76%	11.85%	15.03%	18.30%	21.66%	25.11%	28.66%	32.26%
End of Year Balance	\$10,284.00	\$10,576.07	\$10,876.43	\$11,185.32	\$11,502.98	\$11,829.66	\$12,165.63	\$12,511.13	\$12,866.45	\$13,231.85
Estimated Annual Expenses	\$ 219.07	\$ 225.29	\$ 231.69	\$ 238.27	\$ 245.03	\$ 251.99	\$ 259.15	\$ 266.51	\$ 274.08	\$ 281.86

Figure 6: Conflicts of interest are easy to evaluate with the proper chart. This chart details payments to financial advisors for the Dreyfus Core Value Fund. The trade is \$40,000 at a 5% return. Point of sale pay is 5%, 4%, and 1% for A-, B-, and C-shares. 0.25%/yr trails start for A's in year one and year two for B's. Annual C-share trails of 1% start in year two. **After ten years, C-shares pay reps \$4,652, which is 48% more than A's and 74% more than B's. Clearly, a meaningful conflict exists for long-term investors since C's are not best in the long-term. Now look at year one. A's pay \$2,096, which is 31% more than B's (\$1,600), and 425% more than C's (\$400). That would not be a problem except that A-shares never are best for investments under \$50,000. While new sales of B's were halted, investors need to be wary.**

Year -->	1	2	3	4	5	6	7	8	9	10
Class Rank by Highest Account Value										
Best	C	C	C	C	C	C	B	B	B	B
2nd Best	B	B	B	B	B	B	C	A	A	A
Worst	A	A	A	A	A	A	A	C	C	C
Account Values, Maximum CDSCs Applied										
A-Shares	\$39,128	\$40,611	\$42,150	\$43,747	\$45,405	\$47,125	\$48,911	\$50,764	\$52,687	\$54,684
B-Shares	\$39,610	\$40,856	\$42,540	\$43,862	\$45,625	\$47,429	\$49,641	\$51,522	\$53,474	\$55,500
C-Shares	\$40,805	\$42,447	\$43,726	\$45,044	\$46,402	\$47,800	\$49,240	\$50,724	\$52,253	\$53,828
Differential	\$1,677	\$1,836	\$1,577	\$1,297	\$997	\$675	\$730	\$797	\$1,221	\$1,673
Rep Pay, Based on Gross GDC										
A-Shares	\$2,096	\$2,196	\$2,299	\$2,407	\$2,518	\$2,634	\$2,754	\$2,878	\$3,008	\$3,142
B-Shares	\$1,600	\$1,705	\$1,812	\$1,923	\$2,038	\$2,156	\$2,277	\$2,404	\$2,535	\$2,671
C-Shares	\$400	\$818	\$1,249	\$1,693	\$2,150	\$2,621	\$3,106	\$3,606	\$4,121	\$4,652